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Farm Outlook

Iowa Farm Science Editorial Board

Farm Outlook

THE DIRECTION of business continued gently downward as February drew to a close. But no sharp break was in sight.

Clearly, the business outlook problem for 1954 no longer is one of direction. For 1954 won't be as good a year as 1953. The big question is how much will it be off.

Businessmen continue selling down on inventories. Although the rate has not been rapid thus far, it is in sharp contrast to a year earlier. Then, businessmen were adding to inventories. This difference in inventory position has been responsible for part of the cutback in industrial production.

January retail sales, for the second month in a row, fell from a year earlier. The January drop off from the previous year was 3 percent — December's sales were off 2 percent from a year earlier. The main drop has been in durable goods — automobiles, furniture and appliances in particular. Clothing sales also were off.

The net result of reducing inventories and smaller sales meant fewer people working—and shorter work weeks. Two million nonfarm workers lost their jobs between middle of December and mid-January. A shrink is normal at this time of year. Retail stores don't need as many clerks after the Christmas rush. But this year's drop was much larger than usual. The cutback in factory workers during January was the sharpest for the season since 1949.

Business has been settling softly since the middle of 1953. That is when the peak was turned. But settling thus far has been soft enough that the over-all level of business is still very high.

Businessmen have ambitious investment plans for new factory equipment. And construction has been going at a lively clip. The cutback in defense spending has been only slight. As long as these sustaining forces continue to hold, the drop will be soft. But if businessmen change their plans for investment in plant and equipment, the decline would start to pick up speed. Unemployment will rise and consumer spending shrink.

Thus, the demand picture for farm products continues strong for the next few months—but a mood of uncertainty over the summer and fall development fills the air.

Hogs . . .

Our strong hog market stems directly from the cutback in hog production. Hog production has been declining for a couple of years. See charts 1 and 2. Packers slaughtered 25 percent fewer hogs under federal inspection during December 1953 than a year earlier—and farmers averaged 43 percent higher prices at the 8 public markets.

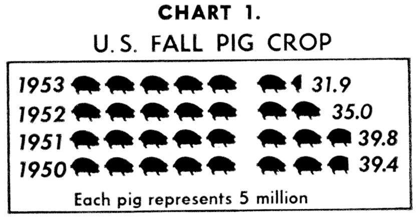
Contrast this with the cattle market. Slaughter under federal inspection was up 27 percent. But the average price received by farmers for slaughter steers at Chicago was down 19 percent.

Chart 2 also shows that the main cuts in hog production have been outside the Corn Belt. This is an outgrowth of the dry weather in the last 2 years. Note how the Corn Belt's 1954 spring pig production will be only 3 or 4 percent below the 1952 crop—if farmers follow out their Dec. 1 plans. But the rest of the country will still range from 15 to 28 percent below their 1952 output.

Hog marketings will be very light this year from about mid-April to late July. For the major share of the 9-percent cut in 1953 fall farrowings shown in chart 1 came in the latter part of the season. June, July and August litters were only down 6 percent from a year earlier. But September, October and November litters were down more than 10 percent!

Pork storage holdings are down sharply from a year ago. So there will be less storage pork to fill the gap. Feb. 1, 1954, pork stocks totaled only 389 million pounds, compared with 596 million pounds a year earlier.

CHART 1.
U.S. FALL PIG CROP



Present signs point to lighter cattle marketings during the spring months too. It all adds up to the low spot in meat output coming in the spring months.

This means that the late spring-early summer period should see the strongest pressures on the supply side pushing prices upward in the hog market. The year's high in the hog market should come sometime in this period. And if demand holds, prices may be bid up to near the $30 mark in late spring or early summer.

Cattle

Farmers sold more cattle during January than a year earlier. This came in spite of the 9 percent fewer cattle on feed Jan. 1, 1954. However, it was the second highest number on feed on record.

Main reason for the heavy January cattle slaughter grew out of farmers' decisions to take their profit and skedaddle. As chart 4 shows, farmers have been getting good margins on fat cattle sold in recent months. They see a chance to turn this margin into hard cash in their pockets.

Two important facts stood out in the Jan. 1 USDA cattle report (see chart 3). It shows that Corn Belt feeders had 22 percent fewer heavy cattle on feed than a year ago; there were 14 percent fewer 600 to 900 pounders on feed; but 10 percent *more* cattle under 600 pounds in weight than a year ago.

The fewer heavy cattle on feed, plus the early winter tendency to market at a fast clip, should mean relatively light marketings of fed cattle this spring and early summer. The market this spring should be better than last year's.

But sales of fed cattle next fall should be even larger than last fall. For we have more light cattle on feed than in 1953. The movement of calves and light cattle to Corn Belt feedlots continued large in January.

All these facts add up to less than the usual summer and fall price rise in long-fed cattle this year. It would encourage feeders to full feed their cattle for the late summer and early fall market—even at the expense of using less grass. If business is slipping then,

CHART 2.

Intended 1954 Spring Farrowing

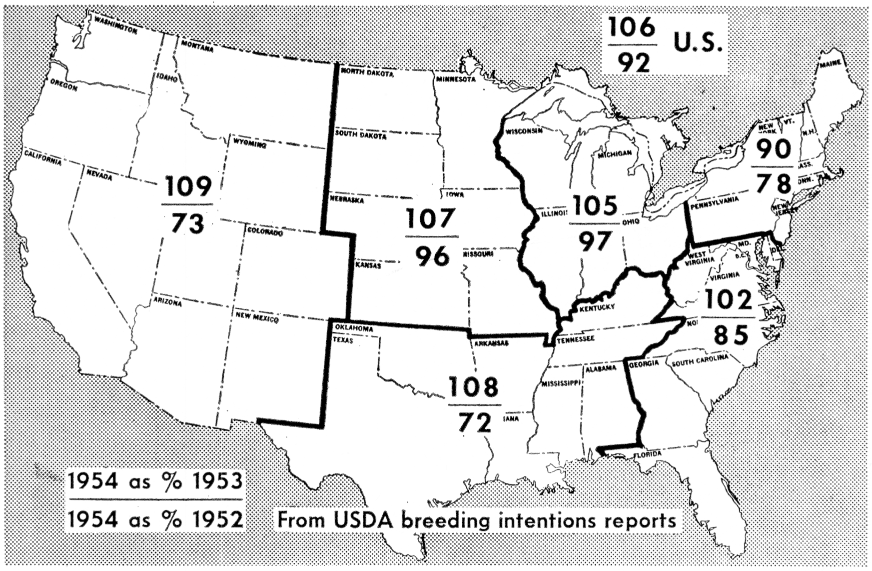


CHART 3.

CATTLE ON FEED JANUARY 1 IN CORN BELT

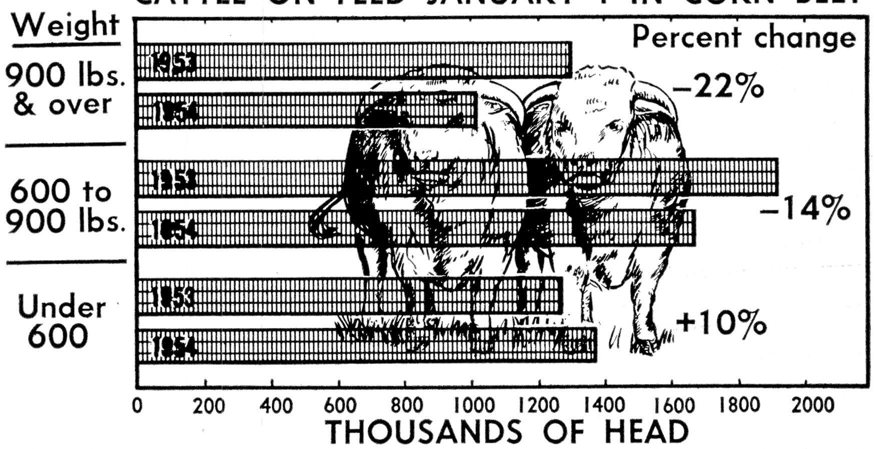
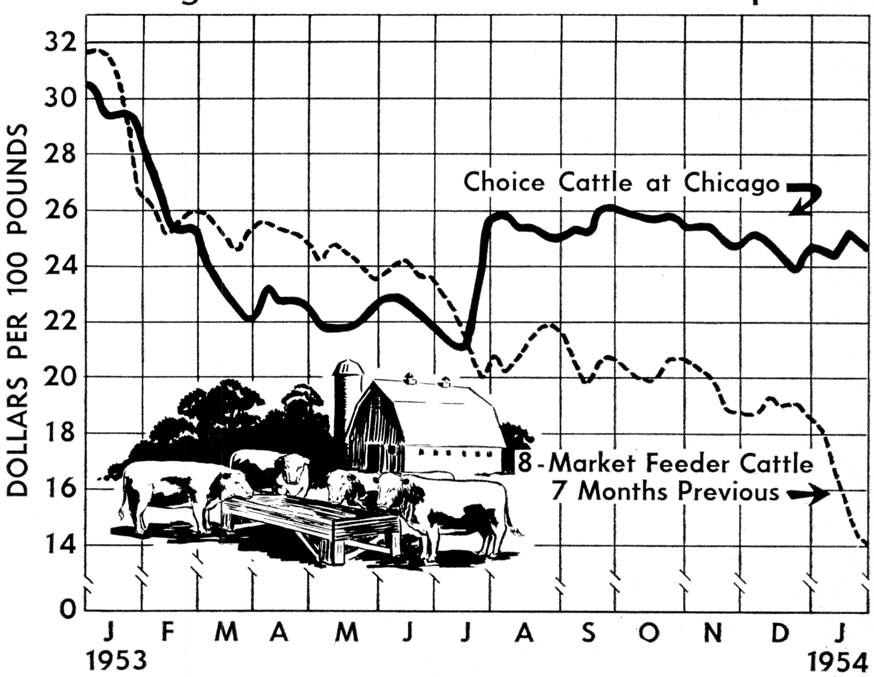


CHART 4.

Margin between feeder and fat cattle prices



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we could see some price pressure on long-fed cattle by early fall.

Chart 4 shows that the margin between fat cattle and feeder cattle bought 7 months earlier turned out quite favorable during late 1953 and early 1954. Feeder cattle prices have advanced since the June low point of last year. So the margin on cattle sold next fall is not likely to be as favorable as those now being sold.

Meat

Total meat supplies are likely to fall below a year earlier until the fall months. Meat output in the fall months will be as large or larger than in the same period of 1953—depending upon how fast farmers market their hogs and whether cattlemen liquidate total numbers to any great extent.

Last year's record beef tonnage swelled total meat output to 24.6 billion pounds. It was a peacetime record and just short of the 1944 record of 25 billion pounds. The record wartime hog production was responsible for the 1944 high in total meat output.

Hog men sold 9 million fewer hogs in 1953 than in 1952. But they got 161 million *more* dollars in total.

Contrast this with the cattlemen's plight. They sold 8¼ million more cattle and calves in 1953 than in 1952. But they got 565 million *fewer* dollars in total. Sheepmen sold nearly 2 million more sheep and lambs—but they got 23½ million *fewer* dollars in total.

A total of 6.7 percent more pounds of all animals slaughtered last year resulted in 4.5 percent fewer dollars in gross sales. And larger marketing costs made farmers' net sales off even more than gross.

Eggs

Egg output this spring is expected to be about 3 percent larger than a year ago. We have that many more layers than a year earlier.

Early-season hatchery activity has been ahead of last year. Feed-egg price relationships are likely to continue favorable to producers. So we would expect some increase in number of pullets raised this spring.

This prospect again stresses the importance of Iowa poultrymen buying their spring chicks early. Early hatched chicks will be laying in the fall when eggs sell at their best prices. Poultry production specialists advise buying baby chicks no later than early March for top profits. This is especially important in a year when poultrymen are stepping up the number of chicks bought.

Turkeys

On Jan. 1, turkey growers were planning to raise 9 percent more light breed poults this year than a year ago. They were planning to step up output of heavy breed poults by 6 percent.

That would make 7 percent more turkeys in total than were raised in 1953. But total pounds of turkey produced would be up a little less—because of the light birds.

We have rather heavy marketings of light birds headed for market the next few months. This should weaken prices for light birds. And it may discourage some of the producers who were heading for later markets with their lighter birds. So the total output this year may not be up as much as the Jan. 1 producers' intentions would indicate.

Grains

Soybeans continue in the strongest position of all the grains. The big reason is the strength in soybean oilmeal. The larger production of turkeys, more hens, heavier buying of baby chicks and the boost in spring pig crop point to heavier spring and summer demands on soybean oilmeal than a year ago. But we have a smaller supply.

Corn prices have risen since the low spot last fall. The amount of corn going under loan will have an important bearing on the corn price this spring. Cash prices this spring are likely to average about the same as a year ago.

CHART 5.